



NLC-RISC RISK INFORMATION
SHARING CONSORTIUM



The Road to Cyber Underwriting and Independence

Monday, October 17th | 2:30 PM

The Road to Cyber Underwriting and Independence

TML Intergovernmental Risk Pool
Ryan Burns, Cyber Risk Services Manager

League of MN Cities Insurance Trust (LMCIT)
Liam Biever, Underwriting Manager

Georgia Municipal Association
Alison Earles, Senior Associate General Counsel

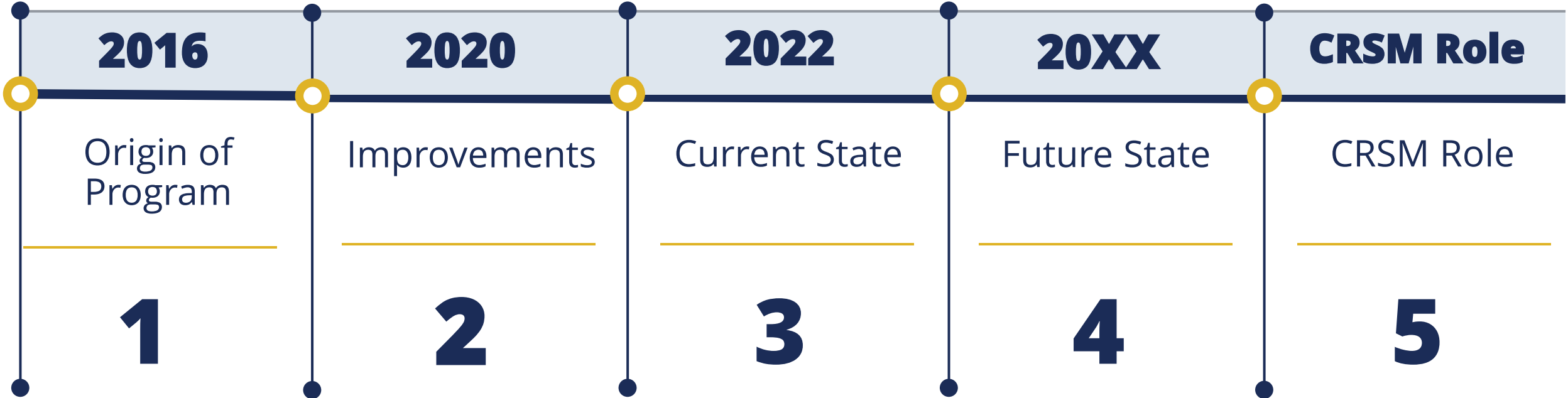
TML Risk Pool Cyber Program

Ryan Burns

Cyber Risk Services Manager



TIMELINE



1

Origin of Program

October 1st, 2016

- “Silent Cyber” recognized as an issue
- Beazley partnership – 75/25 quota share
- Board approved providing coverage at no cost
- No individual underwriting, option to increase limit (basically double) with no additional underwriting (Tier 2)
- Member could increase to 3 higher layers of coverage with full application/Beazley underwriting

2

Improvements

October 1st, 2020

- Increased limits
- eCrime coverage added
- Beazley provided pricing model with underwriting guidelines
- Creation of Cyber Risk Services Manager



3

Current State

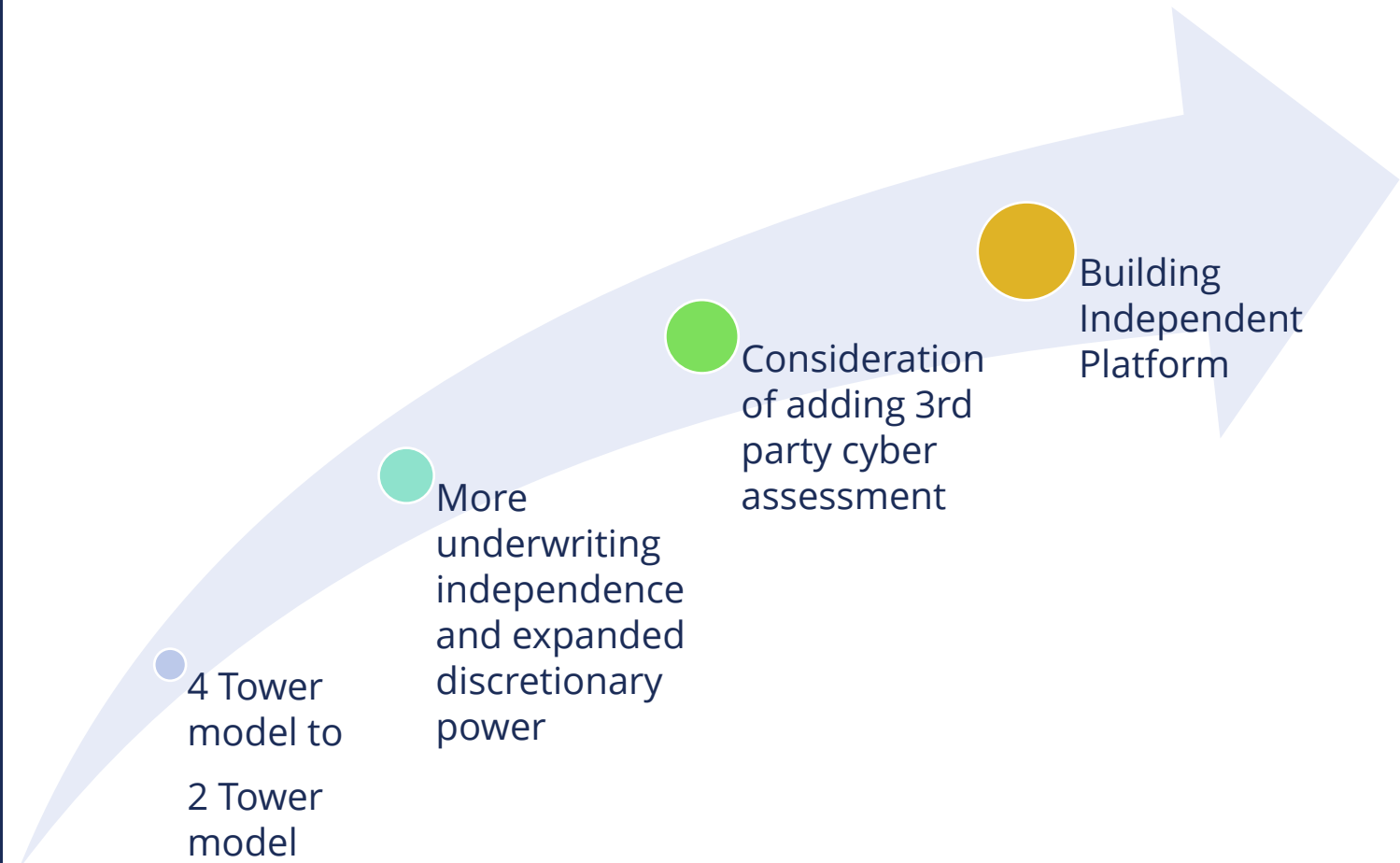
2022

- Over 600 Members at Core+
- 27+ Members at Tier 3-Tier 5
- MSMs active in front-line Cyber discussions
- Underwriting requirements more stringent



4

Future State



5

CRSM Role

- Created in 2020, due to a need for educating Members and staff on this coverage
- Speaking engagements
- Resource that can speak to the insurance aspect as well as the technical aspect of overall cybersecurity
- Cybersecurity awareness training – state mandated
- Creating member/staff training
- First level of underwriting analysis
- Oversees cyber grant program



LMCIT Cyber Program

Liam Biever

Underwriting Manager



Timeline

- Before 2010 – no explicit cyber coverage, “silent” cyber
- 2010 – started modifying property and liability coverage forms to address cyber risks (continued annually thereafter)
- 2016 – started securing reinsurance for cyber
- 2018 – long-term structure & sustainability questions
- 2019/2020 – evaluate two paths (1) continue to write ourselves or 2) partner with, and ceded to, specialty carrier)
- 2020-2022 – specific LMCIT cyber form, limit cleanup, shared pool limits, specific premium charge, cyber loss control expert

First-Party Cyber Coverage

- 1.response costs, 2. business income, 3. data restoration, 4. “bricking”.
- \$250K aggregate per member; option to increase to \$500K.
 - Low-bar LC req for higher limit
- \$25M 12-month pool shared limit; \$10M common cause shared limit.
- Reinsurance above a \$5M agg retention

Comprehensive Municipal Liability Coverage

- Third-party cyber liability claims not excluded (covered along with GL/EO, EMPL, LEL, etc.)
- \$2M per occ; \$3M agg for cyber
- Some sub-limited coverage for PCI if part of a liability claim

LMCIT Pricing

First Party Cyber Rating	
\$250,000 (standard limit)	
Average Annual Expenditures	Base Charge
\$50M+	\$ 5,460
\$25M - \$50M	\$ 4,368
\$10M - \$25M	\$ 2,912
\$5M - \$10M	\$ 1,941
\$1M - \$5M	\$ 971
\$250k - \$1M	\$ 485
\$250k or less	\$ 194

First Party Cyber Rating	
\$500,000 (increased limit)	
Average Annual Expenditures	Base Charge
\$50M+	\$ 8,190
\$25M - \$50M	\$ 6,552
\$10M - \$25M	\$ 4,368
\$5M - \$10M	\$ 2,912
\$1M - \$5M	\$ 1,457
\$250k - \$1M	\$ 728
\$250k or less	\$ 291

Rate and premium components

Projected loss and expense: \$1.475M

- Projected loss pick: \$225K
- Overhead expense: \$500K
- Reinsurance: \$750K

Projected premium: \$1.7M

Projected combined ratio: .87

GIRMA Cyber Coverage

Alison Earles

Senior Associate General Counsel



History

- **Before 5/1/11:** Coverage Document silent
- **5/1/11:** Partnered with AIG to include Cyber coverage outside the regular coverage agreement, offered as a value add. \$75,000 Security & Privacy Liability limit and \$10,000 Event Management limit (“Event Limit”) per Member subject to \$2,500 deductible.
- **5/1/16:** Liability and Event Limits raised to \$100,000 per Member after \$5,000 deductible. [\$10 million aggregate limit across pool]
- **5/1/17:** Liability and Event Limits raised to \$250,000 per Member after \$10,000 deductible. [\$10 million aggregate limit across pool]
- **5/1/18:** Added Cyber Extortion coverage with limit of \$250,000 per Member after \$10,000 deductible; otherwise kept same coverages. [\$10 million aggregate limit across pool]
- **5/1/21:** AIG started to treat as a retention and increased retention to \$100,000. AIG refused to handle claims under retention. Burdensome – had to get AIG approval for every vendor used for event management. Also, AIG added a \$2 million aggregate Cyber Extortion sublimit. GIRMA kept a Member deductible of \$10,000. GIRMA absorbed any claim incurred between \$10,000 and \$100,000. AIG absorbed between \$100K and \$250K. This decision was driven by significant premium increase (experienced industry-wide) and low frequency of claim experience for GIRMA cities. AIG quoted the same structure as before, but too expensive to be viable.

History

- **5/1/22:** Expressly excluded cyber claims from main policy for clarity. Transitioned primary Cyber coverage away from AIG and created new self-insured GIRMA cyber with excess cyber through Tokio Marine. Established GIRMA Information Privacy and Security Liability and Expense Endorsement. Established Breach Panel relationship with law firm approved by reinsurer; Established claims protocol with reinsurer and law firm.
- Liability, Event, and Cyber Extortion now a combined coverage with a limit of \$250,000 coverage per member after a deductible of \$10,000. Reinsurer handles claims from first dollar. Reinsurance – GIRMA takes first \$500,000 of all cyber claims. After that, reinsurance pays up to \$5 million aggregate limit.
- Rationale for self-insuring primary exposure:
 - Restrictive and unfavorable renewal terms from AIG including a reduction in Cyber Extortion limit from \$250,000 per Member to \$25,000 per Member and reduction of aggregate Cyber Extortion sublimit from \$2 million to \$250,000 for the entire pool
 - No premium relief for significant reduction in coverage where claims would be most likely to occur
 - Unwillingness to handle claims administration

Underwriting

- Past
 - GIRMA did not require detailed Cyber underwriting information from Members unless they chose to purchase Excess limits above pool-provided limit.
 - Added underwriting questions related to Cyber Crime as part of the GIRMA renewal request
 - October 2021: Requested membership to complete Cyber & Ransomware applications off-cycle from GIRMA renewal request. Received responses from 20% of members.
- Present
 - Increased efforts to educate members on Cyber risk affecting all cities, not just the large cities!
 - Vendor partner with VC3 offering Cyber support to include assistance with implementing security controls
 - Piloting CISA assessment with several members this fall

Underwriting

- Future
 - May 2023: Will embed required questions in GIRMA renewal application related to critical Cyber Security controls
 - Review consolidated data to determine areas of need
 - Offer solutions to assist membership with implementing necessary controls
 - Consideration of charging membership on a tiered rate structure (i.e. Limited controls=higher rate, Excellent controls=lower rate)
 - Consideration of offering reduced limits to members with limited or no controls in place

Member Education

- Local Government Risk Management Services (jointly controlled by GMA and Association County Commissioners of Georgia; provides risk management services to risk pools) delivers cybersecurity awareness and cyber threat risk management webinars to members of GIRMA - 2018 (1); 2019 (2); 2021 (4); 2022 (1)
- Information Privacy and Security Breaches: Prevention and Response 3-hour training offered to all city leaders at Annual Convention in June and at January Summit since 2018; Started offering jointly with VC3 and including GIRMA reps in 2021; Training Institute made it a required course for certification in 2022
- October, 2021 – memo to members about security measures, availability of ARPA SLFRF for cybersecurity, Lockton 10 top controls document; targeted emails inviting all GIRMA members to October webinar: *Information Security Breaches, Immediate Actions Cities Can Take, Cyberliability Questionnaires*
- April, 2022 – *Cybersecurity Champions* survey and one-pager
- June, 2022 – *Cyber Attacks = Perilous Waters* training at Annual Convention and intro. of *Cybersecurity Threats: Leadership Needed* (jointly with MS-ISAC, VC3, cybersecurity champions, Lockton)

Member Education

- October 4, 2022 – GMA Executive Director and CEO video introduction of *Cybersecurity Threats: Your Leadership Needed* and www.gacities.com/cybersecurity at Cities Connect Call; also sent in email and posted in Communities; Discussion of need for cybersecurity controls by Special Agent Charles Kicklighter of GBI Cyber Crime Center and Sou Ford, head of cyber coverage at Lockton
- *Cybersecurity Minute* videos from interview of Special Agent in Charge Steven Foster of Georgia Bureau of Investigation Cyber Crime Center
- Repeat of Perilous Waters presentation webinar October 24, 2022 (with CISA representative, MS-ISAC representative, cybersecurity champions, Lockton representative)

Links

- [cybersecurity landing page](#)

- <https://gacities.com/Cybersecurity.aspx#videos>

Let's Talk!

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